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WALL STREET'S NEW COP ON THE BEAT SEES MORE COMPANIES LYING TO STOCKHOLDERS
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WASHINGTON

The new federal cop who patrols Wall Street, the Securities and Exchange Commission's Gary Lynch, is looking for companies desperate enough to lie to their stockholders and investors - and finding plenty.

''I think there was an increase in financial fraud in the 1981-1982 period as you were in an economic downturn,'' Lynch said. ''A lot of companies simply couldn't bring themselves to level with shareholders and tell them the bad news.''

The economy recovered. Yet some financial reports have been slow to regain their integrity. ''I thought that as the economy picked up we'd see fewer instances of possible financial manipulation to investigate. That has not been the case,'' Lynch said.

''We're taking on more aggressively now so-called cute accounting,'' Lynch told United Press International. ''I don't like the term because it suggests there is something less nefarious about using invalid accounting principles than there is about just phoneying up numbers through adding zeroes,'' he said.

Lynch, appointed director of the SEC's Division of Enforcement April 29, looks older than 34, perhaps the result of the long hours under his two predecessors, Stanley Sporkin and John Fedders.

Sporkin was outgoing and accessible, known for his well publicized crackdown on company bribes used to help sell exports, and went on to be chief counsel of the CIA.

Fedders, who vigorously prosecuted illegal ''insider'' trading, made Lynch his deputy. Then Fedders gave up his government career last year after admitting some of the charges of physical abuse made by his wife in divorce court.

Lynch, cautious and reserved, keeps his official biography cleansed of all personal detail -- including his age.

The prosecution of financial fraud cases widens the SEC's net to include not only company managements but their accounting firms.

''In every case where we have a company that has mistated its financials we ask the question why the auditors didn't discover it,'' he said.

Either the company withheld information or ''the auditors knew everything that was going on and just cooperated with the company.'' A third possibility: ''They did a lousy audit.'' But accounting firms are finding that the absence of quality control is no defense.

Accounting firms were SEC enforcement targets 18 times last year and the number of cases is building this year. In 1982 there were only three such cases.

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Lynch makes it clear that although the commission remains intensely interested in insider trading abuses he is not inclined toward relatively easy prosecutions only for their publicity value.

''The insider trading cases, particularly the insider trading cases that people find sexy for one reason or another, get a lot of publicity, a tremendous amount of publicity,'' Lynch said.

''We can bring another case that was much more difficult to put together, probably at least as important to the integrity of the securities markets, and it will get a paragraph in the New York Times, two paragraphs perhaps in the (Wall Street) Journal and maybe if we're lucky, two sentences on UPI.''

Although not singled out by Lynch, two cases demonstrate the difference.

Publicity accompanying the case of former LTV chairman Paul Thayer was unrelenting, starting with the SEC's investigation of his insider tips to female companions through his resignation last year as No. 2 at the Pentagon.

In constrast, the SEC extracted a settlement in March from the Burroughs Corp., the Detroit firm headed by former Treasury Secretary W. Michael Blumenthal, that was notable for the furor it did not cause.

Investors and stockholders were misled by six consecutive quarterly statements in 1981 and 1982 that inflated earnings, sometimes as much as 61 percent. But as a news story it could not compare to the Thayer case.

The primary reason people buy stocks, Lynch said, ''is the financial performance of the company.'' But to the extent they are misled about how the company is performing, ''then the market breaks down.''